

19 December 2025

Jim Betts

Secretary

Department of Infrastructure, Transport, Regional Development, Communications, Sports and the Arts
Australian Government
GPO Box 594
Canberra ACT 2601

Submitted via online portal here: [Cleaner Fuels Program](#)

Cleaner Fuels Program: Powering Low Carbon Liquid Fuel Production in Australia

Dear Mr Betts,

The Chamber of Minerals and Energy of Western Australia (CME) is the peak representative body for the resources sector in Western Australia. CME is funded by member companies responsible for 24 per cent of Australia's company tax receipts in 2023-24.¹ In 2023-24, the WA resources sector accounted for 56 per cent of resources exports,² 52 per cent of resources capital expenditure³ and 51 per cent of resources employment in Australia.⁴

CME and its members support the Paris Agreement and its goal of limiting global warming to well below 2 degrees Celsius and pursuing efforts to limit temperature increase to 1.5 degrees Celsius, and accept the scientific consensus as assessed by the Intergovernmental Panel on Climate Change (IPCC).⁵ CME recognises that Australia, as a signatory to the Paris Agreement, must actively contribute to this goal and fulfilment of its Nationally Determined Contributions, including its recently confirmed⁶ target of a 62-70 per cent reduction in emissions by 2035 (on 2005 levels).

CME recognises both the Australian and WA Governments' commitments to reduce emissions across the economy to net zero as soon as possible and no later than 2050. Our members advocate for Australia's decarbonisation policy settings to be technology-neutral to enable a flexible pathway that supports timely, least-cost abatement and maintains competitiveness.

CME welcomes the opportunity to provide feedback to the Department of Infrastructure, Transport, Regional Development, Communications, Sports and the Arts (DITRDCA) policy design and engagement paper following the allocation of \$1.1 billion under the Cleaner Fuels Program ('the Program'), which intends to accelerate Australia's transition to net zero through domestic production of biogenic LCLFs such as renewable diesel and sustainable aviation fuel, starting in 2029.

There is a growing focus on biofuels as an opportunity to support decarbonisation across the economy, including in the resources, agriculture, haulage and defence sectors. CME highlights that the **WA resources sector is heavily reliant on liquid fuels accounting for 43 per cent of Australia's resource**

¹ Excludes fringe benefits tax, petroleum resource rent tax and fuel excise duty. CME, [2023-24 Economic Contribution: Australia](#), March 2025; Commonwealth of Australia, [Final Budget Outcome 2023-24](#), The Treasury, 30 September 2024, Note 3: Taxation revenue by type, p 38.

² Government of Western Australia, [2023-24 Economic Indicators Resource Data File](#), Department of Energy, Mines, Industry Regulation and Safety, 29 October 2024.

³ Investment refers to capital expenditure as measured by gross fixed capital formation, current prices. Australian Bureau of Statistics, [5220 Australian National Accounts: State Accounts](#), Table 25. Australian Bureau of Statistics, [5206 Australian National Accounts: National Income, Expenditure and Product](#), Table 34.

⁴ Australian Bureau of Statistics, [6291 Labour Force, Australia, Detailed](#), Table 5.

⁵ CME [Climate and Energy Policy Statement](#), Updated December 2024

⁶ [Setting our 2035 target and path to net zero - DCCCEW](#), September 2025



sector diesel consumption.⁷ Depending on how quickly the costs of renewable diesel declines, for some operations it could offer a decarbonisation pathway that is compatible with existing assets and associated infrastructure while direct abatement technology is under development. In the longer-term renewable diesel could play a role in instances where other abatement measures like electrification are not viable. At-scale domestic production also offers an opportunity to support energy security objectives.

At the same time, it is critical to recognise that the cost of renewable diesel is significantly higher than standard diesel. With the global competitiveness of Australia's resources sector increasingly under pressure, any significant increase in fuel costs would undermine the attractiveness to invest in the sector. It is vital that the Program aims to bring 'at pump' costs for LCLFs to parity with fossil fuels. **As such, any efforts to develop a domestic industry should not be coupled with demand side measures such as mandates at least until price parity is achieved.**

In terms of developing a local industry, the commercial viability of renewable diesel is challenged due to the domestic scarcity of feedstocks, lack of production capacity and perceived competition for productive land, which without policy support will limit its role as an at-scale option in the short- to medium term. We note that other jurisdictions have developed LCLF production and refining industries through incentive measures to lever private investment across the value chain.

CME therefore supports the development and investment in a scalable domestic LCLF industry and emphasises the need for a fiscal stimulus on the supply and potentially demand side. Maintaining the highest standards of sustainability is key, including to maintain social licence and to meet the growing Environmental and Social Governance (ESG) standards of our trading partners. Further, existing and proposed state and federal programs should be designed to be complementary.

Recommendations

CME welcomes the proposed Program and notes the stated objective is *"to establish domestic, commercial scale production of LCLF in Australia, with a view to stimulating further private investment in the domestic industry"*. Given that the funds available under the Program will be spread over a ten-year period, CME highlights that allocation will need to be carefully targeted to maximise its leverage and drive down costs.

The Program should focus on enabling least-cost abatement through technology-neutral frameworks and competitive funding processes. Its design will therefore need to acknowledge the diversity of LCLF production pathways, feedstock distribution, commercial readiness, and the potential evolution of demand over time.

To ensure the cleaner fuels program is effective in sustaining a low carbon fuel supply to the resources sector, CME recommends the Australian Government:

- **Takes a product-neutral approach to the allocation of funding.** In line with the principle of driving least-cost abatement across the Australian economy, there should be no discrimination of LCLFs, and all production pathways should be eligible. **Allocation decisions should be taken based on driving down production costs (towards parity with fossil fuels)**, with due consideration given to project readiness and likelihood to reach Final Investment Decision (FID).
- **Ensures the Program has clear objectives.** The Program should be focussed on scaling up production of technology-ready pathways. The limited funding should not be significantly diverted towards nascent production technologies, which should be the focus of other funding streams.
- **Ensures that high ESG standards are maintained.** Key to the success of biofuels will be social licence for their production and safeguards to ensure sustainability, including appropriate alignment with international standards.
- **Aligns the Program with Guarantee of Origin methodologies** to drive investment, maintain high standards, and ensure price is reflective of cost of production. To ensure social licence and avoid

⁷ DCCEEW [Australian Energy Statistics](#), Table F – Australian energy consumption, by state and territory, by industry and fuel type, energy units 2021-22



perceptions of 'land use conflict' the Program should set effective emissions reduction and sustainability conditions. It should also proactively communicate the complementary benefits of LCFC production in relation to traditional land uses, particularly agriculture, to demonstrate alignment rather than competition.

- **Work closely with industry and states and territories** to ensure support is aligned as domestic production scales, new technologies commercialise, and domestic and global markets and standards mature.
- **Recognises the Safeguard Mechanism as the key demand-side lever** for the resources sector. The technology-neutral Safeguard Mechanism is – and should remain – the key driver for the resources sector's decarbonisation. The Mechanism is driving facilities to look at a range of options to support near, medium and long-term decarbonisation, which may feature LCLFs such as renewable diesel if they are in line with least-cost abatement and in the context of the viability of alternative options. In this context, efforts to develop a renewable diesel industry should not be paired with policies such as mandated use.

Further detail regarding CME's priorities and recommendations can be found in the Appendix to this submission.

CME looks forward to engaging further with DITRDCSA on opportunities for low carbon fuels within the WA resources sector. Should you have any questions regarding this submission, please contact Steven Mills, Manager, Climate and Energy [REDACTED].

Yours sincerely,

Aaron Morey

Chief Executive Officer



Appendix: Cleaner Fuels Program Policy Design and Engagement Paper

The role for Low Carbon Liquid Fuels in Australia's net zero transition

Australia's comparative advantage in developing a biogenic low carbon liquid fuel (LCLF) industry lies in its access to sustainable, locally sourced feedstocks. On the supply side, WA offers unique opportunities through its agricultural expertise, land availability, and circular economy potential.

On the demand side, WA's resources sector is currently a significant user of fossil fuel diesel, particularly for mining (including excavators, haulage, rail and remote power generation). However, the resources sector does not currently consider biofuels such as renewable diesel as a commercially viable option due to the scarcity and high costs, deriving from there being limited domestic manufacturing industry and the heavy export of feedstocks overseas. Redirecting existing biomass exports and expanding into new upstream domestic biofuel production will build and strengthen value chains, particularly as international markets such as Europe increasingly seek locally produced feedstocks.

The WA resources sector is working to determine pathways for decarbonisation to achieve Net Zero and interim targets. For the mining sector, these pathways vary significantly and will be determined by a range of facility-specific factors including commodity-type, processing technology, availability of abatement technology, infrastructure, and local environmental considerations. For most mining companies, electrification of on-site machinery, haulage and rail, powered by firm renewable electricity will be the preferred long-term pathway. However, this is currently hindered by limited availability of cost-competitive and reliable low emission electricity, the availability and costs of electric haulage and rail technologies, and an understanding of the necessary changes to working practices and mine configuration.

For this reason, many CME members are looking at renewable diesel as a drop-in fuel to support decarbonisation in the near to medium term, or in the longer-term where electrification may not be feasible. However, this is limited by supply and is cost prohibitive in a sector that is exposed to international competition: it is not anticipated that costs will come down without policy support. The CME therefore broadly supports the aims of the Program, if it will drive cost reductions. CME also acknowledges that stimulating investment in domestic production may yield some energy security benefits.

1. Eligible Fuels

As a matter of principle, policy support should support least-cost abatement across the economy. CME therefore considers that **the Program should be product neutral, with no explicit prioritisation of fuels**. However, the Program should not fully focus on 'least-cost' production. Clear carbon reduction and sustainability criteria, coupled with an assessment of scalability and long-term strategic value will be necessary. This may include economies of scale from shared infrastructure, or the re-use of existing assets such as pipelines. It should be recognised that for the leading fuels, renewable diesel and Sustainable Aviation Fuel (SAF), the production technology is similar. Facilities that can refine both fuels depending on market evolution over time may prove to serve Australia's least-cost decarbonisation pathway most effectively.

Further, CME cautions that only projects that are economically viable and sufficiently advanced to have a realistic chance of achieving Financial Investment Decision (FID) can be eligible for funding. This is important to reduce the risk of stranded investments holding funds that could have been better spent on other projects, and to maximise the impact of public funding by driving competition. We recommend appropriate claw-back provisions are included as a condition of funding.

CME notes that while biogenic fuels, including gases such as biomethane, are out of the scope of the Program, they could support decarbonisation in the medium term and should be considered for future



support. We note that gaseous biofuels share feedstock similarities with biogenic LCLFs, suggesting potential efficiencies through integrated policy design for dispersed feedstocks across decentralised production facilities.

In the longer-term, non-biogenic hydrocarbons and other LCLFs such as ammonia, may underpin production of synthetic fuels, complementing biogenic feedstocks. Wider policy frameworks outside the Program should therefore remain prospective and technology-neutral, supporting both biogenic and non-biogenic pathways to achieve the volumes required for decarbonisation targets. There is a clear role for separate government support to stimulate investments in scaling these production pathways in the medium term.

2. Type of Production Support

The focus on production-linked incentives is welcomed, but clarity is needed on whether funding will prioritise only supply or recognise wider system benefits such as firmed domestic off-take, or infrastructure development. Establishing a domestic LCLF industry will require significant investment in supporting infrastructure such as storage and supply chains, which are currently underdeveloped. Without a holistic policy framework there is a risk of underutilisation of allocated funds.

In the absence of an appraisal of the relative benefits to de-risking investment of either support model, CME offers no comment on the merits of either fixed production support or the Contract for Difference (CfD) model. We do however note that the proposal for the CfD model to use dynamic international prices to determine the level of incentive against a strike price could lead to a disadvantage of uniquely Australian feedstocks. Whichever approach is taken, **the administrative costs of the Program must be carefully considered**, including the application of the Community Benefit Principles, alongside the overall value for money for taxpayers.

From the perspective of demand from the resources sector, the transitional role that LCLF it is likely to play over the medium term (while at-scale electrification becomes commercially viable) suggests that the Program should balance near-term decarbonisation benefits with long-term cost-effectiveness. As noted above, support that stimulates investment in at-scale facilities that can refine a range of fuels depending on market evolution over time may prove to serve Australia's least-cost decarbonisation pathway most effectively. Given the at-scale nature of these facilities, CME suggests that **additional upfront capital support will be critical**, particularly for first- or second-of-a-kind projects. This could come from the Net Zero Fund, through concessional finance from the Clean Energy Finance Corporation, or other support and guarantees.

CME also highlights that funding measures must be complemented by effective mechanisms such as a Guarantee of Origin scheme. Consideration should also be given to monetising co-products (e.g., lignin, syngas, biogenic CO₂) to improve project economics, in line with circular economy objectives.

3. Fuel Production

Global markets for LCLF are maturing, and proven technologies exist internationally, particularly for renewable diesel and Sustainable Aviation Fuel (SAF). However, production costs remain high, and there is no expectation of significant cost reductions in the near term without intervention. **As highlighted above, CME recommends that the Program takes a product-neutral approach**, focussing on viable, at-scale projects using proven technologies.

We note that the policy objective outlined in the consultation document refers to supporting commercial-scale domestic production, which implies support for proven technologies. CME suggests that this objective is not in line with the proposals in the consultation paper to include nascent technologies within the scope of the Program. Given the relatively small amount of funding available, spread over a ten-year period, we recommend that any focus on nascent production methods should be limited, given other funding streams are available such as through the Australian Renewable Energy Agency (ARENA).



CME is clear that high Environmental and Social Governance (ESG) standards will be crucial to the success of the Program. Sustainability must be effectively considered in the allocation process to build and maintain perceptions on the integrity of the Program and minimise the chance of wider impacts, such as indirect land-use change. Clear criteria for eligible biomass feedstocks and residues, and carbon reduction will be important to maintain social licence, for instance in agricultural communities⁸ to avoid perceptions of 'food-fuel' conflicts, particularly in the context of changing climate conditions.

Along with federal initiatives such as the Guarantee of Origin Scheme, the Australian Sustainable Finance Taxonomy⁹ and National Greenhouse and Energy Reporting (NGER) framework, the Program should, where possible, align with international standards and criteria, including:

- the *Greenhouse Gases, Regulated Emissions and Energy use in Transportation (GREET)*¹⁰ methodology developed by the US
- the EU's revised Renewable Energy Directive (RED II)¹¹
- The International Civil Aviation Authority's *Carbon Offsetting and Reduction Scheme for International Aviation (CORSA)*¹².

However, it will be important to ensure that the administrative costs that derive from complex standards and certification are minimised to avoid driving up prices. CME also highlights that technical considerations including cetane ratings, energy density, and Original Equipment Manufacturer (OEM) warranty conditions (e.g. B20/B40 blends) should be considered in inform production standards to ensure demand-side viability.

4. Other Policy Considerations

CME makes the following further recommendations:

- **Alignment with other federal initiatives** will be critical to ensure the success of the Program. As noted above, this should include alignment with international standards and emerging green taxonomies, as well as the Guarantee of Origin Scheme's product standards that are in development. We note that the Commonwealth is currently also developing the framework for allocation of the Net Zero Fund which, to maximise investment leverage, CME has separately highlighted needs to be dovetailed to other funding mechanisms.
- **Alignment with state and territory initiatives.** We highlight that the WA government is currently in the process of developing an *Advanced Biofuel Strategy*,¹³ looking to stimulate demand, the supply of feedstocks, and investment in LCLF production. We recommend that the Commonwealth works with the WA government and other states and territories to ensure complementary policy and strategy development.
- **Technology neutrality on the demand side.** As highlighted above, LCLFs should be available for sectors of the economy, led by market demand in line with the principle of least-cost abatement. The resources sector is already subject to the technology neutral Safeguard Mechanism, which allows facilities to determine their optimum decarbonisation pathway. While not in the scope of the Program, any future complementary demand-side incentive measures should follow the principle of technology neutrality and be designed to enhance the competitiveness of the wider Australian economy.

**Chamber of Minerals and Energy WA
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⁸ CSIRO, <https://www.csiro.au/-/media/Missions/TNZ/Opportunities-and-priorities-for-a-Low-Carbon-Liquid-Fuel-Industry.pdf>, February 2025.

⁹ Including the [Australian Sustainable Finance Taxonomy](#), launched in 2025.

¹⁰ [GREET Methodology](#), US Department of Energy.

¹¹ European Union, [Renewable Energy Directive](#) (revised 2023)

¹² [Carbon Offsetting and Reduction Scheme for International Aviation](#) (CORSA), International Civil Aviation Authority

¹³ WA Government, [Biofuels Strategy to Help WA to Capitalise on Industry Opportunities](#), October 2025